

ARTUR DAVIS
7TH DISTRICT, ALABAMA

208 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-2665
FAX (202) 226-9567

www.house.gov/arturdavis



Congress of the United States
House of Representatives

March 23, 2006

Mr. Martin Gruenberg
Vice Chairman
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429

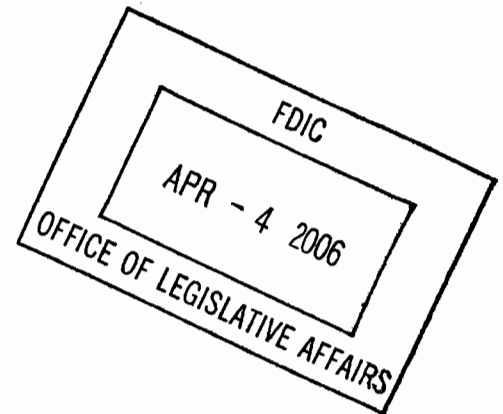
Dear Mr. Gruenberg,

After much consideration, I agree with the emerging bipartisan consensus in Congress that Wal-Mart Inc.'s application for an industrial loan charter in Utah should be denied. My reasons may differ from those of some of my colleagues who have addressed the subject, so I wanted to take the time to articulate them individually.

I begin by noting that there is overwhelming agreement that an industrial bank charter for Wal-Mart would contravene our government's long-standing policy, most recently affirmed in the Gramm-Leach-Bliley Act of 1999, of separating the banking and commercial functions of our economy. In fact, Gramm-Leach-Bliley specifically precluded commercial companies from owning thrift institutions. As you know, Congress has resisted the temptation to revisit Gramm-Leach-Bliley in a variety of contexts, including the regulation of credit transactions and private insurance, and I believe that Congress' caution in this area has reflected reasonable, sound public policy. I also believe that one significant inroad on the statute would lead to others and would complicate the regulation of commercial and financial activity by our government.

Even if it were desirable to reopen the question of scope of banking activity, there is another sound practical reason why the FDIC should be hesitant to set an additional precedent for chartering retail institutions. The GAO recently noted the FDIC's limited authority to monitor the operations or the capital requirements of corporations who are not banks. While Wal-Mart's financial health is not in question, the emergence of industrial banks is a trend that could pose long-term safety and soundness issues, given the FDIC's regulatory scope.

I have been reluctant to engage this issue because Alabama is not a state whose laws would permit Wal-Mart to offer banking services even if an FDIC charter were granted. But I am persuaded that a successful application in Utah would eventually generate pressure on Alabama and 17 other states to alter their laws on reciprocal branching in a manner that would facilitate Wal-Mart's entry into banking.



LA06-166

COMMITTEES

COMMITTEE ON FINANCIAL SERVICES

COMMITTEE ON THE BUDGET

BIRMINGHAM OFFICE
220TH STREET N, SUITE 1130
BIRMINGHAM, AL 35203
(205) 254-1980
FAX (205) 254-1974

TUSCALOOSA OFFICE
TUSCALOOSA COUNTY FEDERAL COURTHOUSE
1118 GREENSBORO AVENUE, SUITE 338
TUSCALOOSA, AL 35401
(205) 752-5380
FAX (205) 752-5899

LIVINGSTON OFFICE
205 NORTH WASHINGTON STREET
UWA STATION 40, WEBB HALL, SUITES 238-237
LIVINGSTON, AL 35470
(205) 652-5834
FAX (205) 652-5935

SELMA OFFICE
808 ALABAMA AVENUE
FEDERAL BUILDING, SUITE 112
SELMA, AL 36701
(334) 877-4414
FAX (334) 877-4489

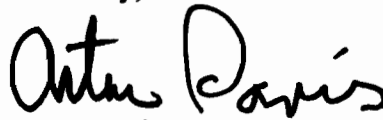
DEMOPOLIS OFFICE
102 EAST WASHINGTON STREET
SUITE F
DEMOPOLIS, AL 36732
(334) 287-0860
FAX (334) 287-0870

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

The reality is that the most distressed isolated areas of my district and my state are not served by Wal-Mart, and in fairness, they are also outside the reach of many community banks as well. As much as I embrace the idea of a competitive market, it is my fear that a widespread penetration of Wal-Mart into the realm of financial services would not create a new competition to better reach the unbanked and the under-served, but that the opposite would happen: community banks and credit unions would be discouraged from competition with a retail the scale of Wal-Mart. In fact, Wal-Mart's movement into banking might even encourage the reduction of the inadequate banking presence that does exist, and that the most distressed rural communities in Alabama would be worse off than before.

I do not attack Wal-Mart as an institution. But the change in our regulatory policy that they seek undoes well-settled principles, and simply does not offer an adequate gain for the low-income communities that make up so much of my district. I suspect that what is true for Alabama is true elsewhere, and I hope that that the FDIC will take these concerns into account.

Sincerely,

A handwritten signature in black ink that reads "Artur Davis". The signature is fluid and cursive, with the first name "Artur" and last name "Davis" clearly distinguishable.

Artur Davis
Member of Congress